

April 30, 2010

George Beattie  
President  
San Jose Police Officers' Association  
1151 North First Street  
San Jose, CA 95112

**RE: San Jose Police Officers' Association (SJPOA) Package Proposal**

Dear George:

City's Structural Deficit For Fiscal Year 2010-2011

As you know, in November 2009, the City Council considered the City's structural budget deficit and decided that the City's ongoing total compensation costs must be reduced by 5.0%. The City's structural budget deficit for Fiscal Year 2010-2011 increased from \$96.4 million to \$116.2 million. Due to these changed circumstances, on Tuesday, March 23, 2010, the City Council approved the Mayor's Budget Message with an amendment directing a 10.0% reduction in total compensation costs. According to the City Council's directive, a minimum of 5.0% of the total 10.0% reduction must be ongoing structural cost reductions, and the second 5.0% reduction in total compensation costs could include one-time compensation savings that preserve services to the public.

POA's Equitable Share of the Compensation Reduction

During the course of the negotiations, the City negotiation team has provided the POA negotiating team with updated salary benefit costs for the Fiscal Year 2010-2011 base budget. As we have explained during our negotiation sessions, the POA's share of the 10% reduction is approximately \$24.68 million.

POA Package Proposal - April 26, 2010

During the negotiations on April 26, 2010, the POA presented a verbal package proposal. To avoid any misunderstanding, we wanted to confirm the terms of the POA's verbal package proposal. Please let us know immediately if we have not included all of the elements of the POA's package proposal.

### ***Term***

2 years: (July 1, 2010 – June 30, 2012)

### ***Wages***

Fiscal Year 2010-2011: 0% (No base pay decrease)

Fiscal Year 2011-2012: 0% (No base pay decrease)

### ***Automatic Step Increases***

Currently, employees represented by the POA receive automatic step increases of approximately 5% after a specified period of time. This is in addition to any general wage increase that may be negotiated. This increase is automatic until the employee reaches the top step of the pay range.

The POA has proposed to freeze automatic step increases for Fiscal Year 2010-2011. It is our understanding that this would mean that all wages for employees represented by the POA would be frozen through June 30, 2011. After June 30, 2011, employees would become eligible for step increases upon completion of an additional 2080 seniority hours after the date they did not receive a step increase for which they were previously eligible.

### ***Specialty Premium Pays***

Employees who are assigned to specialized units in the Police Department receive a premium pay of approximately 5%. These specialized units include the Bomb Squad, MERGE Unit, Canine Officers, Police Officers who are assigned to drive motorcycles and employees who are assigned the duties of a Training Officer.

The POA has proposed to freeze the premium pays for all employees in these specialized units for Fiscal Year 2010-2011, with the exception of the employees assigned to the Canine Unit.

### ***Uniform Allowance***

Employees represented by the POA currently receive a uniform allowance of \$675 per year. Payments are made on the 1<sup>st</sup> and 2<sup>nd</sup> payperiod of each month, for a total of \$675 per year.

The POA has proposed to freeze the uniform allowance for Fiscal Year 2010-2011.

### ***Sick Leave Payout***

Currently, eligible employees are eligible for a sick leave payout for any unused sick leave hours at the time of retirement. The payout is based on the employee's final hourly rate of pay. The payout formulas for a service retirement are as follows:

Unused Sick Leave Hours	Payout
< 400 Hours	Hours accumulated x 50% of final hourly rate
400-799 Hours	Hours accumulated x 60% of final hourly rate
800-1200 Hours	Hours accumulated x 75% of final hourly rate
1200+ Hours (with no limit)	Hours accumulated x 100% of final hourly rate

The POA has proposed that the maximum hourly rate of pay would be the hourly rate of pay for a top step Police Sergeant. For example, under the POA's proposal, a Lieutenant would receive a sick leave payout based on the hourly rate of a top step Police Sergeant.

### ***Two Unpaid Vacation Days***

The POA has proposed that employees would be required to take two unpaid vacation days in Fiscal Year 2010-2011. However, beginning 2011-2012, the City would be required to credit each employee with two paid vacation days. In addition, the City would be required to lift the maximum vacation accrual limit, which would allow employees to accrue vacation above and beyond the maximum vacation accrual limits. Further, under the POA's proposal, any employee who retires in the year they take the two unpaid vacation days would still receive retirement service credit for those two days even though City and Employee retirement contributions would not be made for the unpaid days.

### ***Retiree Healthcare Reimbursement Program***

Currently, eligible employees who retire from the City receive lifetime health insurance coverage. The retirement plan pays 100% of the premium for the lowest priced plan for single or family coverage.

The POA has proposed a reimbursement program that would allow eligible retirees to waive the health insurance if the retiree produces verification that they have alternate health insurance coverage. Instead of receiving health insurance, the retiree would be eligible to enroll in some type of program that would provide a maximum fixed dollar annual reimbursement for incurred medical expenses and or premiums.

### ***Replacement of Patrol Vehicles***

As part of the Fiscal Year 2009-2010 budget, the City proposed to replace patrol vehicles with Chevrolet Impalas. In the POA's package proposal, the POA agrees not to contest the City's decision to replace patrol vehicles with Chevrolet Impalas provided they are suitable for police patrol.

### ***Civilianization***

In January 2010, the City Auditor's Office completed an Audit of Civilianization Opportunities in the San Jose Police Department. In its report, the Auditor's Office identified approximately 88 positions that could potentially be civilianized. The POA has proposed civilianization of the following positions<sup>1</sup>:

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<sup>1</sup> It should be noted that some of the items on the list include changes in work schedules and contracting out work currently done by sworn personnel.

Work Unit	Civilianization
Research and Development	Police Sergeant to Staff Specialist
Research and Development	Police Sergeant to Analyst II
Public Information	Police Officer to Marketing/Outreach Representative
Property & Evidence	Police Officer to Police Property Specialist II
Permits/Secondary Employment	2 Police Sergeants to 2 Analyst II positions
Permits/Secondary Employment	4 Police Officers to 4 Staff Specialist positions
Recruiting	Police Officer to Analyst II
Recruiting	Police Officer to Senior Office Specialist
Police Activities League (P.A.L.)	3 Police Officers to 3 Recreation Program Specialist Positions
Airport Unit	Police Sergeant to Analyst II
Airport Unit	5 Police Officers – Change to 3 12-hour Shifts
Airport Unit	2 Police Sergeants – Change to 3 12-hour Shifts
Pre-Processing	4 Police Officers – Change to 3 /12-hour Shifts
Pre-Processing	2 Police Sergeants – Change to 3 12-hour Shifts
Bureau of Field Operations (BFO) Administration	2 Police Officers to 2 Analyst II Positions
Air Support	2 Police Officers to Contract Pilot
Air Support	2 Police Officers to Contract Fixed Wing Pilot
Traffic Enforcement	Police Officer to Staff Specialist
Court Liaison	3 Police Officers*
Systems Development Unit	Police Officer to Network Engineer

\* Subject to further research

The City concurs that the specialized training, skills and abilities of police officers and other sworn police personnel are best utilized in positions that require the use of law enforcement powers, sworn skills, and experience. The POA's proposal highlights that there are sworn personnel that are performing duties that can be performed by civilian employees at a lower cost. This is consistent with the findings of the Audit of Civilianization Opportunities in the San Jose Police Department issued by the City Auditor in January 2010.

The POA has indicated that it believes this proposal would save the City approximately \$3.7 million. As we discussed during negotiations, the POA acknowledged that savings from this proposal would not be achieved in Fiscal Year 2010-2011. Clearly, the cost of salary and benefits of a civilian position, such as a Staff Specialist, is considerably less than the cost of salary and benefits for a Police Sergeant. Savings would be achieved if the sworn positions were eliminated and the civilian positions were added.

The POA's proposal, however, does not include eliminating the sworn positions, but assumes that the sworn positions would be moved to perform other duties. Thus, although the POA's proposal would result in better use of sworn personnel, the City would incur the cost of adding civilian positions. Consequently, to implement the POA's civilianization proposal would result in a significant **cost** to the City and would not achieve any savings in Fiscal Year 2010-2011.

The City is interested in civilianizing positions. In order to generate savings from civilianization, in addition to the benefits of better use of sworn personnel, the City is interested in exploring the option of eliminating sworn positions and replacing those positions with civilians.

### ***Public Safety Officers' Procedural Bill of Rights Act (POBR)***

The POA proposes to incorporate reference to POBR in the contract.

### ***Promotional Testing***

Currently, the Police Department is using the "Rule of 10" when considering qualified applicants for promotional positions. The POA has proposed to reduce the number of qualified applicants to the "Rule of 5."

### ***Tentative Agreements***

The City and POA have reached Tentative Agreements on three issues involving healthcare revisions. These include, changing copays for all HMO plans from \$10 to \$25, reducing the current health in-lieu payments for eligible employees and the elimination of dual healthcare coverage. The POA's package proposal includes these tentative agreements.

### ***No Layoff Guarantee***

As part of this package proposal, the POA seeks a guarantee that there will be no layoffs of any employees represented by the POA during the two-year term of the package proposal.

As we discussed during our meeting, the POA seeks this no layoff guarantee even though the POA recognizes that the package proposal falls far short of the 10% reduction in total compensation costs and the savings necessary to cover the cost of the proposed police officer position reductions. Although the City's goal in seeking a 10% reduction in total compensation is to help avoid layoffs, we cannot provide such a guarantee given the size of the budget shortfall and the amount of personnel cost savings the POA's proposal would generate in Fiscal Year 2010-2011.

We hope that continued negotiations with the POA will achieve the 10% reduction in total compensation costs in time to avoid most, if not all, of the layoffs.

### **Ongoing and One-Time Savings of the POA's Package Proposal**

A 5% reduction in on-going total compensations costs would save \$12.34 million in Fiscal year 2010-2011 and the additional 5% that could be one-time or on-going would save an additional \$12.34 million for a total of \$24.68 million. As mentioned above, during the presentation of the package proposal on April 26, 2010, the POA acknowledged that the package proposal is far short of the City Council's direction to achieve a 10% reduction in total compensation costs.

We appreciate the elements of the POA's package proposal that could be components of an overall 10% total compensation reduction, such as the health care changes, freezing automatic step increases, freezing specialized premium pays, and freezing the uniform allowance. As we have discussed, many of these items provide savings only for one fiscal year and do not achieve ongoing savings. These one-time savings can be part of the 5% reduction in total compensation costs that can be one-time. Other proposals, such as the unpaid vacation days, incur an additional liability in future years, as we have discussed. Others, such as the POA's civilianization proposal, would add costs.

City's Timeline For Completing Negotiations

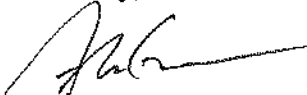
As we have explained to the POA, the City faces a deadline of June 3, 2010, for completing negotiations in time for balancing the budget for Fiscal Year 2010-2011. First, for each month negotiations extend into Fiscal Year 2010-2011 or the City fails to take action to reconcile its expenditures and revenues, the City will be forced to reduce or eliminate more services to our residents in Fiscal Year 2010-2011. Second, if the City is unable to reach agreement with the POA, the City must make a timely decision to layoff employees.

We look forward to continuing to work with the POA in an effort to reach an agreement that would provide savings to preserve positions represented by the POA and the important services that the Police Department provides to the community. When the POA presented its package proposal, the POA indicated that it was the best deal the POA could offer and anticipated that the City would not accept the proposal because it falls far short of the Council direction of a 10% reduction in total compensation costs.

We hope that the POA will reconsider its proposal and provide proposals that achieve a 10% reduction in total compensation costs, 5% of which can be either one-time or ongoing.

As you know, we are currently scheduled to meet on May 6<sup>th</sup>. After May 6<sup>th</sup>, there are no negotiation sessions scheduled until June 1<sup>st</sup>. The City's team will be available to continue negotiations throughout May to continue efforts to reach an agreement with the POA that would achieve the 10% reduction and lessen, if not eliminate, the need for layoffs.

Sincerely,



Alex Gurza  
Director of Employee Relations

c: Jim Unland, SJPOA Vice President  
Jeff Ricketts, SJPOA CFO  
Franco Vado, SJPOA Director  
John Tennant, SJPOA General Counsel